

## **Minnesota Public Radio News and Humphrey Institute Poll**

### **Economic 9/11 Ignites Consumer Insecurity, Retrenchment, and Support for Regulation**

Report prepared by the Center for the Study of Politics and Governance  
Humphrey Institute of Public Affairs  
University of Minnesota

Lawrence R. Jacobs  
Director, Center for the Study of Politics and Governance

Melanie Burns  
Research Analyst, Center for Study of Politics and Governance

The recent financial crisis and economic downturn have reshaped the behavior and attitudes of Minnesotan consumers. A series of surveys of Minnesotans in 2004 and throughout 2008 (including a recent poll in late October) reveals significant consumer insecurity, a retrenchment of spending that is draconian in certain respects, and openness to expanded government intervention and regulation. These results reflect and expand on recent reports of significant declines in consumer spending and consumer confidence.

Findings include the following:

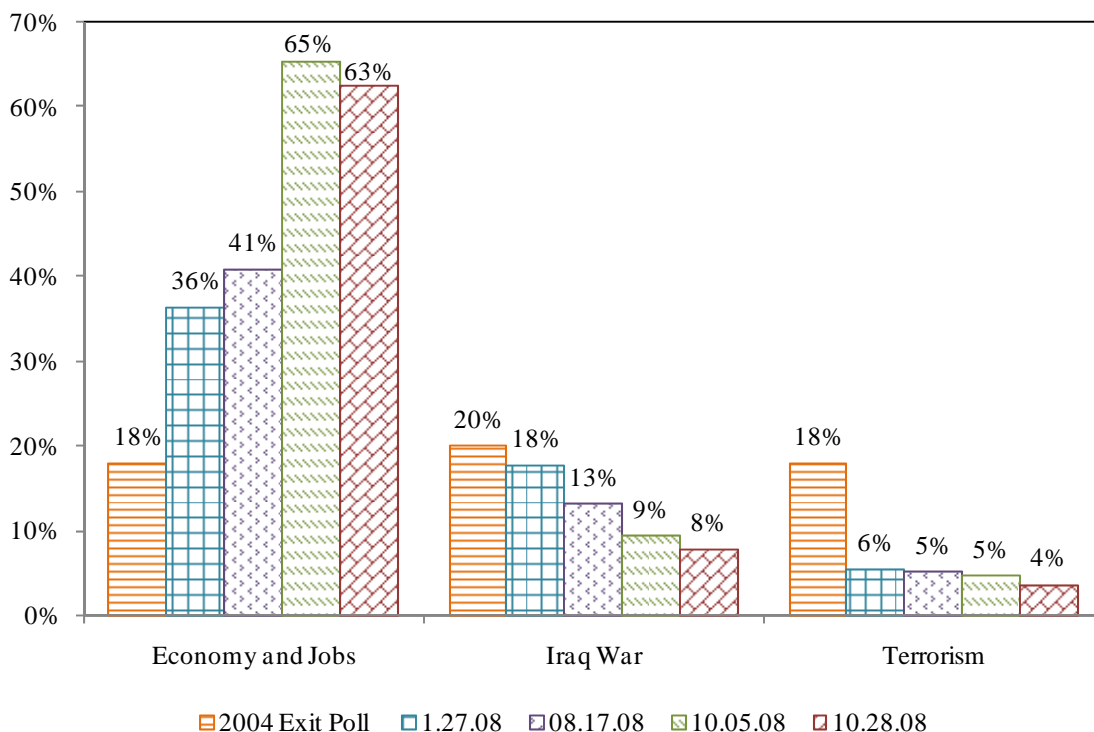
- Large numbers of Minnesotans single out the economy and jobs as their predominant national concern, worry about their family budgets, and report substantial insecurity about their family's finances and their jobs.
- Many Minnesotans are responding by reducing their discretionary and non-discretionary spending, trying to increase their cash flow through borrowing and working longer hours, and changing their retirement planning.
- Although government is distrusted and the October financial rescue legislation is opposed, there is strong support for expanding government regulation.
- Retirees are in a particularly vulnerable situation and are struggling to respond to the economic downturn and decline of their retirement funds.

This report primarily relies on two recent surveys of the general population in Minnesota by Minnesota Public Radio News and the Humphrey Institute of Public Affairs at the University of Minnesota -- a poll of 1,141 Minnesotans conducted between September 29 and October 5, 2008 (margin of error [MOE] of  $\pm 2.9$ ) and a survey of 721 between October 24<sup>th</sup> and October 28<sup>th</sup> (MOE  $\pm 3.65$ ). To a lesser extent, this report draws on two earlier MPR News/HHH surveys of 1,093 conducted between August 7<sup>th</sup> and 17<sup>th</sup>, 2008 (MOE  $\pm 2.96$ ) and 917 conducted during January 18-27, 2008 (MOE  $\pm 3.24$ ). In addition, the report uses the 2004 Exit Poll conducted in Minnesota on Election Day for a large media consortium by Edison Media Research and Mitofsky.

## An Economic 9/11

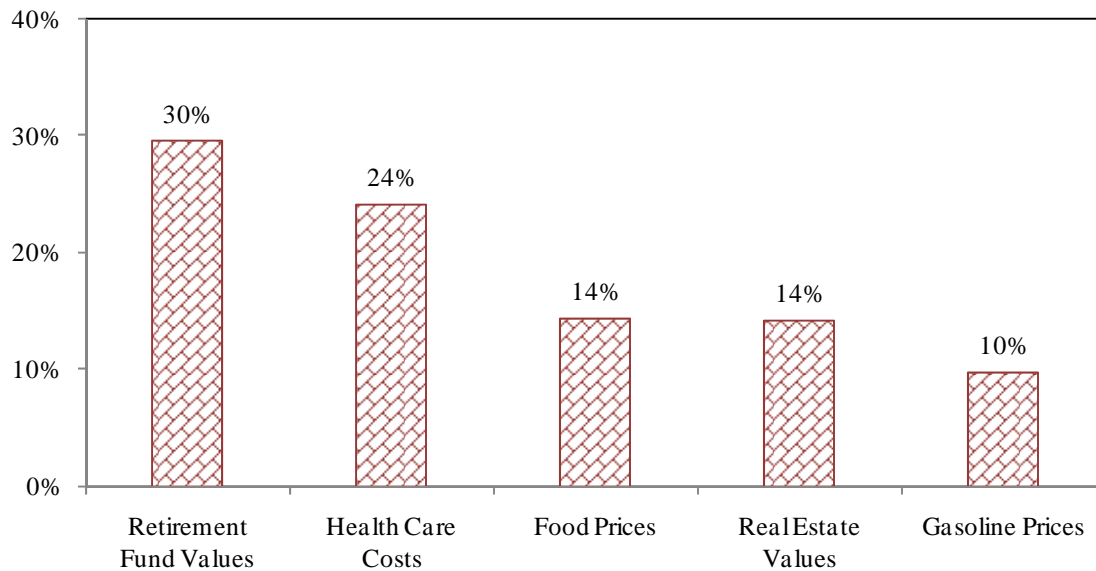
The recent financial and economic turmoil has fuelled great concern among Minnesotans. These issues now rank as the nation's top problem overshadowing all other issues including the Iraq War and terrorism. In 2004, 18 percent of voters singled out the economy as the single most important national problem; today **more than 6 out of 10 voters rank the economy and jobs as the country's top challenge**. As the economy has come to predominate, national security issues have plummeted in their importance to Minnesotans, with concern about Iraq and terrorism falling 26 points from a combined 38 percent in 2004 to 12 percent in late October 2008.

### **Economic worries dominate, national security challenges recede in public concern**



The nation's economic hard times have sparked kitchen table worries about meeting the family budget. When asked to prioritize their top financial worry, **nearly 1 in 3 Minnesotans (or over 1.1 million adults) single out their retirement funds and 1 in 4 (or 938,200 adults) identifies their difficulty in affording health care. One in 7 Minnesotans (547,283 people) report worrying about paying for the most basic necessity – food.** Perhaps because of the recent declines in the price of gas, only 10 percent singles it out. (The calculation of population size is based on the U.S. Census Bureau's 2006 American Community Survey, which reports that there are 3,909,171 Minnesotans who are 18 and over -- <http://tinyurl.com/6cuc3u>.)

## Minnesotans worry about their own financial problems



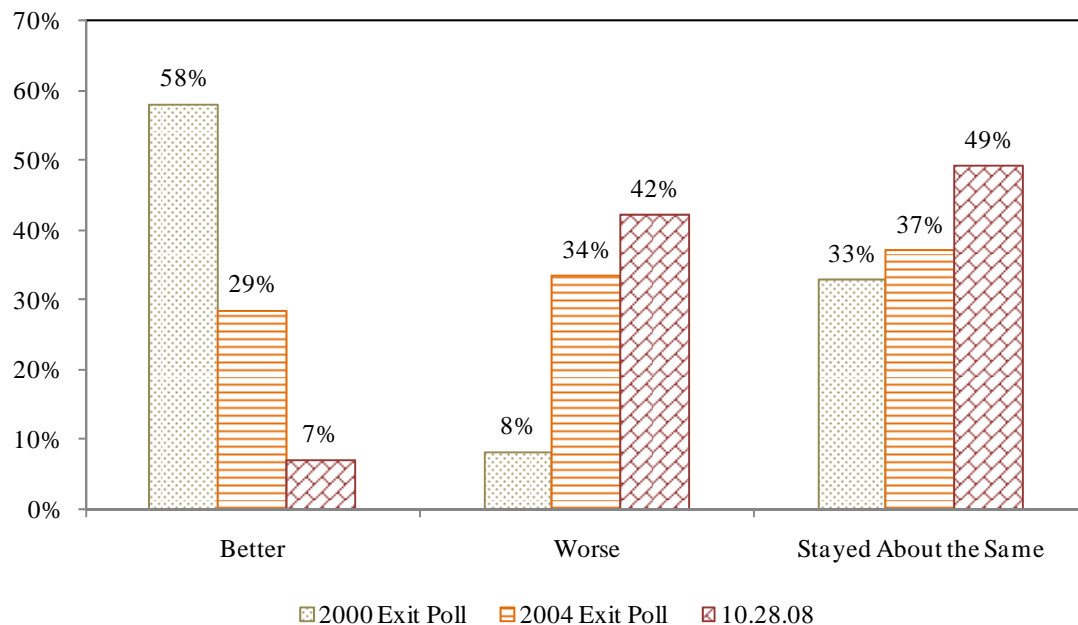
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## **Deep Insecurity about Personal Finances and Keeping Jobs**

The financial crisis and economic turmoil is not some abstract development impacting bankers and investors far away on New York City's Wall Street. On the contrary, hundreds of thousands of Minnesotans report deep and growing anxiety about their personal finances and employment situation.

**Over the past 8 years, a growing proportion of Minnesotans have reported that their family's financial situation had declined.** Four of ten or over 1.6 million adults now report a worsening financial situation over the past 6 months. By comparison, 8 percent of voters in 2000 reported a worse financial situation over the previous 4 years; this figure jumped to 34 percent in 2004. In short, the recent financial and economic turmoil has compounded already existing anxiety about family finance.

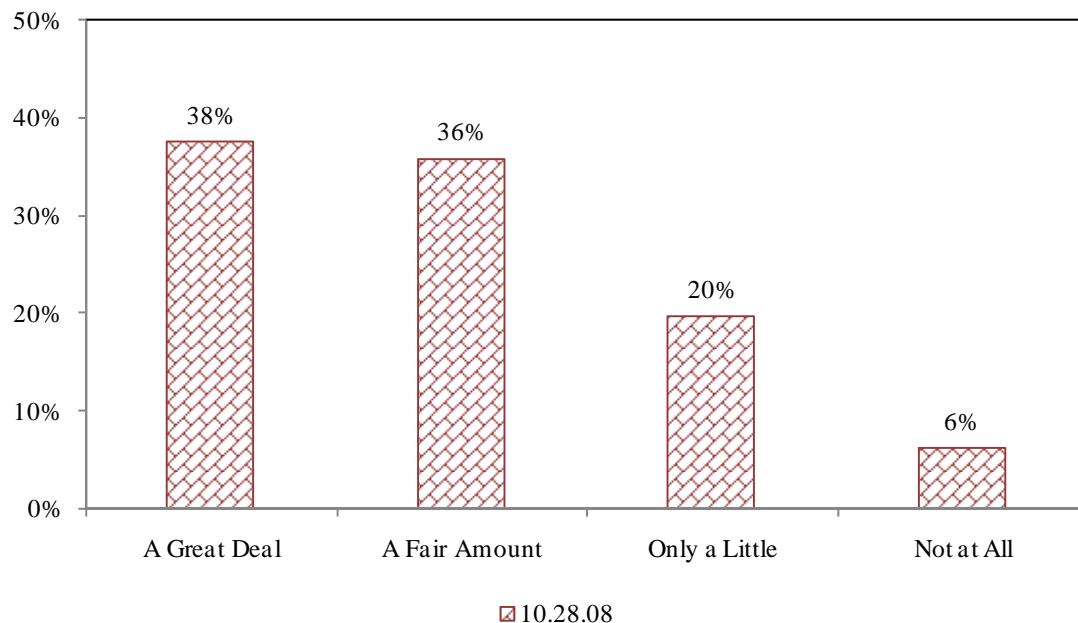
## Worsening family financial situation



Note: The responses for 2000 and 2004 are based on Exit poll interviews with voters who were asked to compare their family's financial situation to four years earlier. The 2008 responses are based on interviews with adult Minnesotans who were asked to compare their financial situation to 6 months earlier.

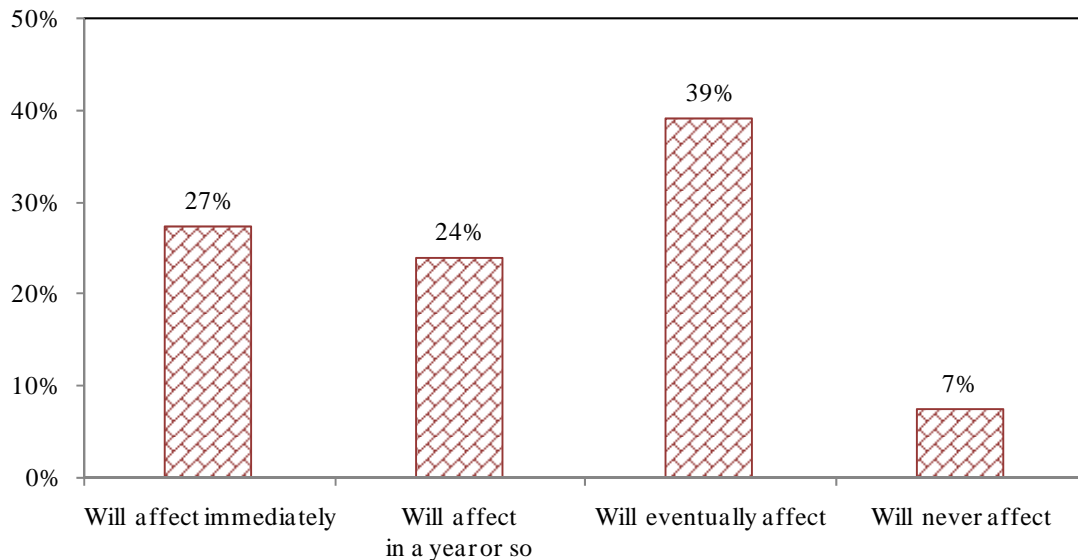
A staggering **three quarters acknowledge worrying a great deal or a fair amount about the effects of the economy on their household's financial situation.** Thirty-eight percent or 1.48 million adults report a great deal of worry about their own or their family's finances; another 36 percent or 1.4 million acknowledge being a fair amount worried.

## Anxiety about impact on family finances



Many Minnesotans are braced to feel the brunt of the financial and stock market crises. **A quarter or just over 1 million adults report that they and their families are already being impacted.** More than 6 out 10 are anticipating an impact in the future.

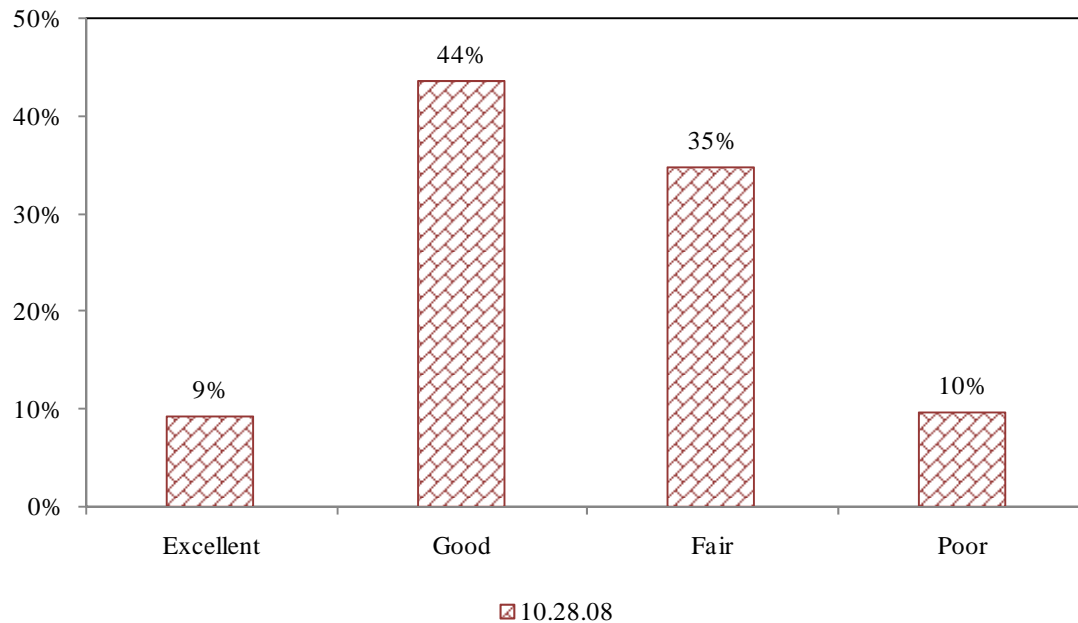
#### **Minnesotans expect to feel the pain of financial and stock market crises**



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**Nearly half of Minnesotans are living in poverty or in stressed economic conditions.** Ten percent (or about 390,000 adults) report that their family's financial situation is poor; this is consistent with the 2007 U.S. Census Bureau report of a 9.5 percent poverty rate in the state. The MPR News/Humphrey Institute survey finds that an additional 35 percent or 1.36 million adults report that their family's financial circumstances are "fair" as opposed to excellent or good.

## Minnesotans report financial stress



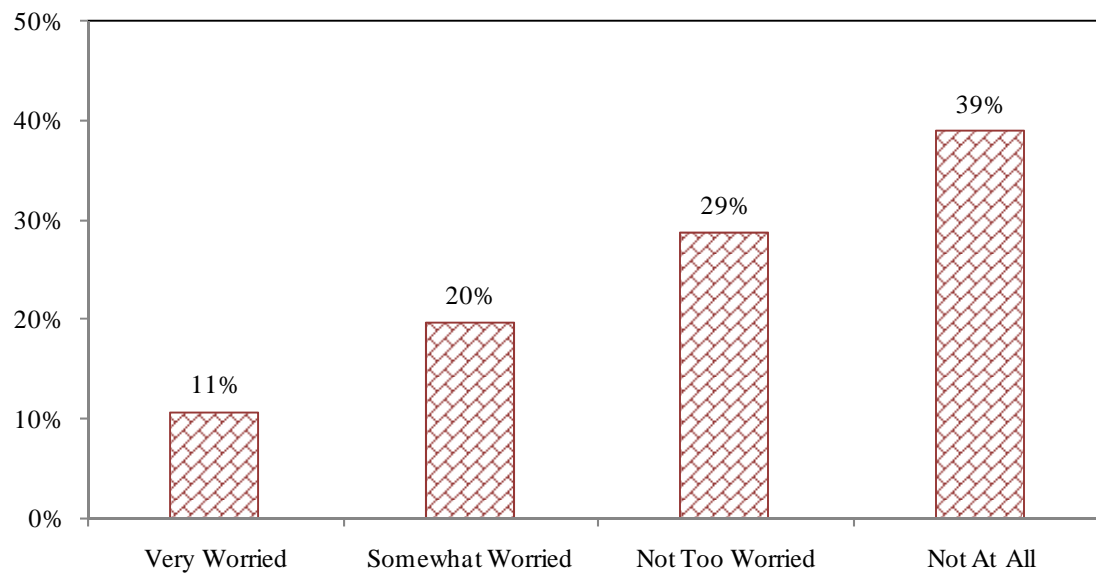
## The Downturn in a Consumer-Driven Economy

American consumers, who account for two-thirds of economic activity, have been on a spending spree that has been financed by easy credit and a growing economy that generated jobs. This pattern appears to have to an end for now in the wake of the credit crisis and economic downturn. Even before the financial and economic turmoil of the past few months, government reports for the third quarter of this year found that real consumer spending had declined by 3.1 percent and that real spending on durable goods like automobiles and televisions fell at an annual rate of 14 percent. These declines in consumer spending are rare (the last decline was 17 years ago) and steep declines are even more unusual (consumer demand last fell by a comparable rate in 1980).

The MPR News and Humphrey Institute survey suggests that the drop in consumer spending is continuing and may be even larger in the fourth quarter of the year due to the collapse of major financial firms and a significant cutback in the availability of consumer credit, the massive government rescue plan, and the Dow Jones falling below 10,000. A pull back in consumer spending by majorities of Minnesotan or by even what might seem like relatively modest proportions can have significant effects on the state's economy.

**A third of Minnesotans are very or somewhat worried that their family may find it difficult to secure a loan from a bank or other financial institution.** Eleven percent or 430,000 adults report that they are very worried about finding credit and another 20 percent or 781,000 are somewhat worried.

### Anxiety about getting loans



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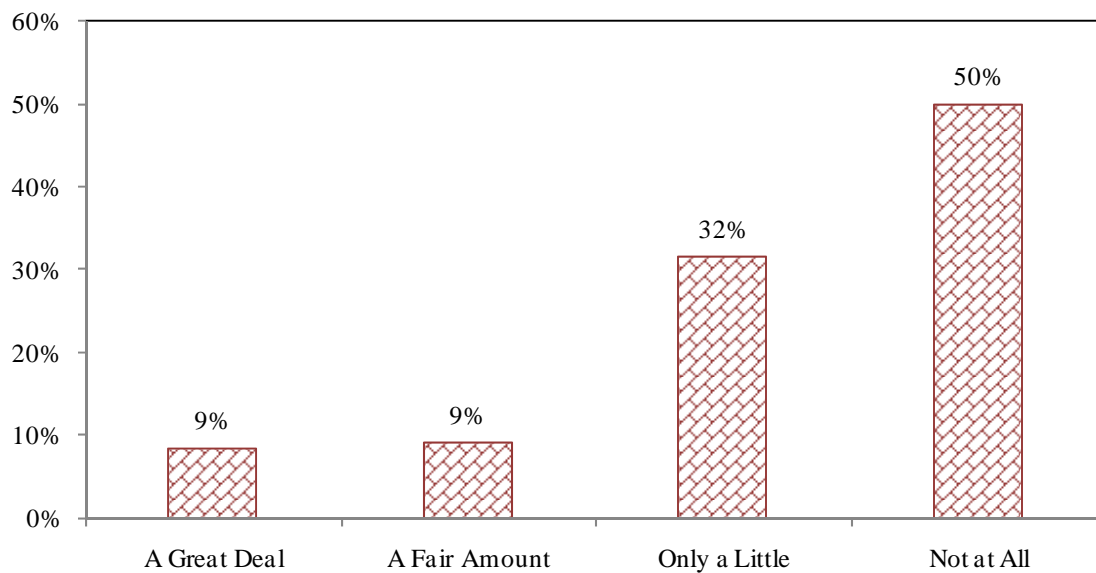
Anxiety about tightening credit is contributing to the economic crunch on Minnesotan families. Of the 45 percent of Minnesotans who report that their family's finances are fair or poor, 51 percent are very or somewhat worried about getting a loan compared to 15 percent who are worried among those who are more upbeat about their family's finances. Put simply, the credit crisis is being felt in Minnesota.

### Financial stress aggravated by tighter credit

	Very or Somewhat worried about getting loan	Not too worried or not at all worried about getting loan
Family Finances are:		
Excellent or Good	15%	85%
Fair or Poor	51%	49%

With credit hard to secure for 1.2 million Minnesotans, the confidence and spending of consumers may also be squeezed by trepidations about their job prospects. **Nearly 1 out of 5 Minnesotans who are employed full time or part-time report that they worry a great deal or fair amount about losing their job because of the economic turmoil in the last 6 months.** Nine percent (or 241,274 employed adult Minnesotans) report a great deal of worry about losing their job and another 9 percent indicate a fair amount of anxiety about keeping their job. (The calculation of employed population size is based on the U.S. Census Bureau's 2006 American Community Survey, which reports that there are 2,680,824 Minnesotans who are over the age of 18 and employed in the civilian labor force – Tables B21005 and B23001 at <http://factfinder.census.gov/>)

### Uncertainty about losing job among large portion of workforce



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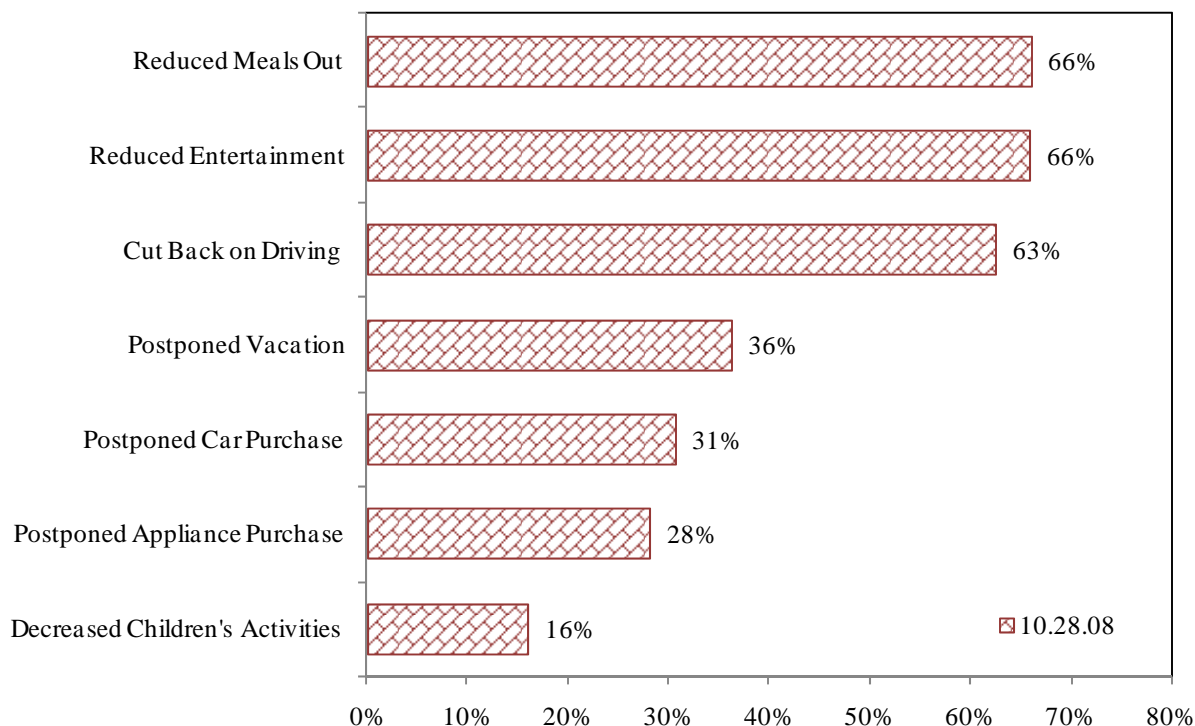
Economic uncertainty is, not surprisingly, contributing to uncertainty about employment. Minnesotans who are pessimistic about their family's finances are about 4 times more inclined to worry about losing their jobs than those who are upbeat about their personal finances (data not presented in table or graph).

### **Consumer Retrenchment**

The anxiety about securing credit and job security is contributing to sharp declines in consumer spending. Discretionary purchases and particularly spending on restaurants and entertainment are the first victims of the consumer pull back. Two thirds of Minnesotans or nearly 2.6 million adults indicate that they have cut back on eating out and going out for entertainment. Gas prices are down sharply but 6 out of 10 (2.46 million) are cutting back on driving. These represent enormous changes in consumer behavior that will profoundly impact Minnesota's economy if they persist.

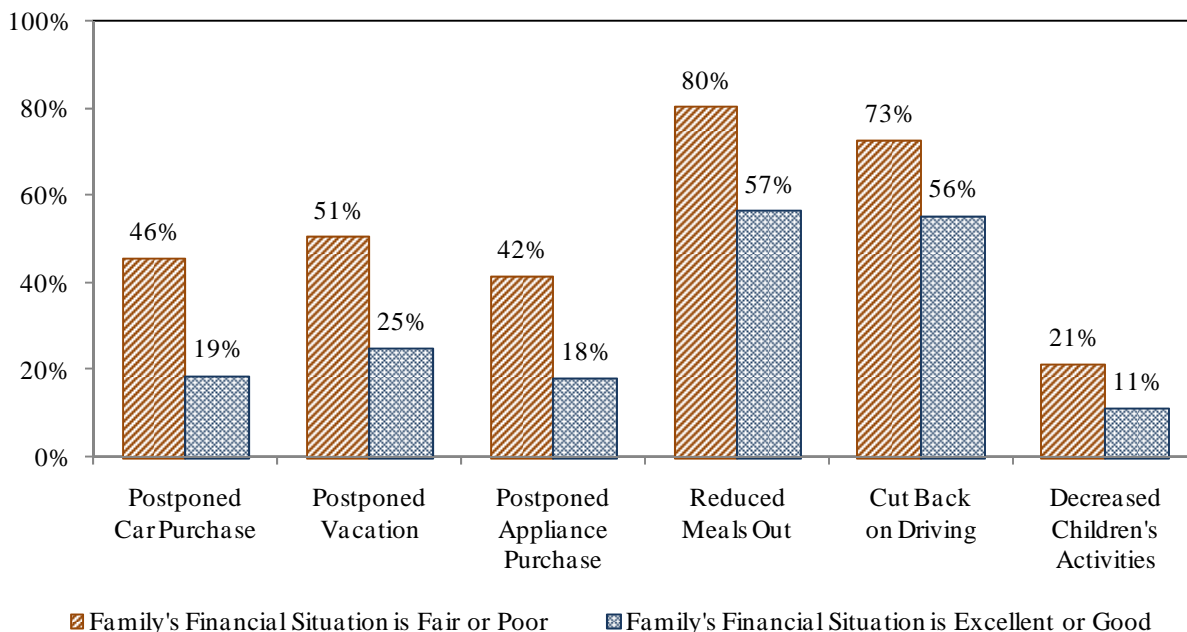


### Consumers cutting back on discretionary spending



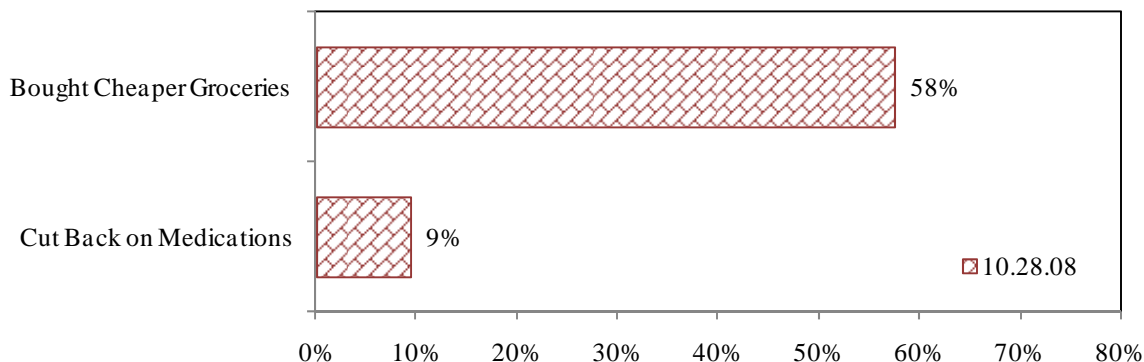
Strained family finances are strongly associated with these consumer cutbacks. Forty-six percent of Minnesotans who reported that their family finances were fair or poor held off purchasing a car compared to 19 percent by those in more prosperous families. This 27 point difference in greater consumer retrenchment among struggling as compared to prosperous Minnesotans is evident in a host of household purchasing decisions: eating out less (23 point difference), postponing a vacation (26 point difference), buying a major appliance (24 point difference), driving less (17 point difference), and cutting back on a child's extracurricular activities (10 point difference).

### Financially stressed families prone to consumer retrenchment



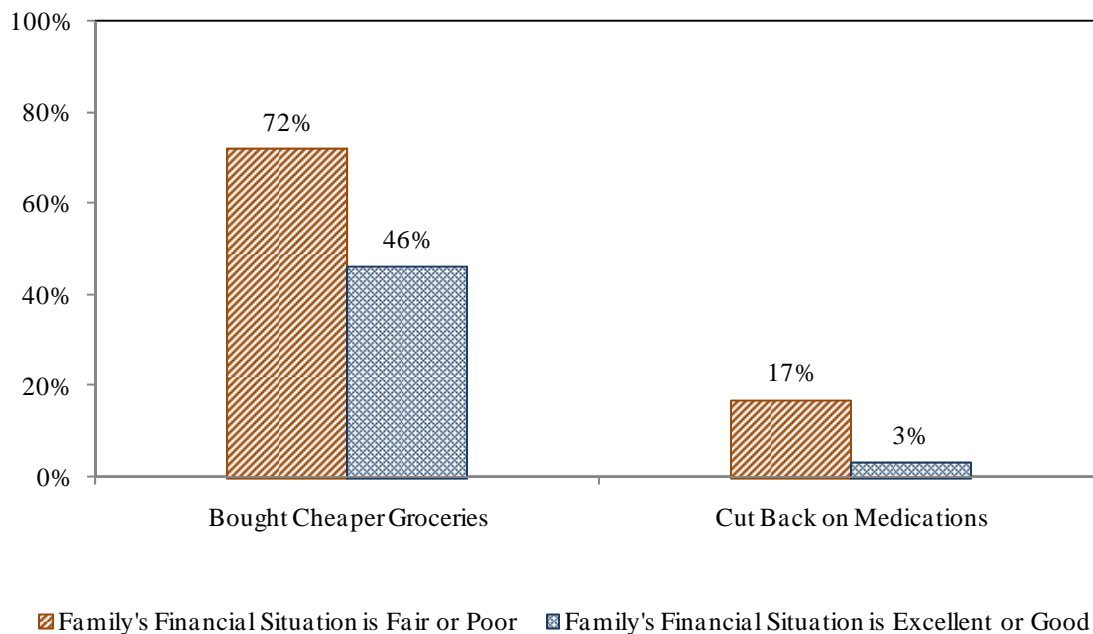
The financial pinch on Minnesotans has also forced them to squeeze their spending on necessities that are not discretionary. Six out of 10 or 2.26 million report that they are now policing their food shopping to purchase cheaper groceries. One out of 10 or 351,000 report that they are cutting back on their medications.

### Consumers cutting back on non-discretionary spending



Financially squeezed families are particularly prone to cut back on these non-discretionary purchases. Seventy two percent of Minnesotans who reported that their family finances were fair or poor bought less expensive groceries compared to 46 percent in more prosperous families. Minnesotans in financially strained families were also more inclined to forgo medication: 17 percent in financially struggling families cut back on medications compared to a mere 3 percent among better off families.

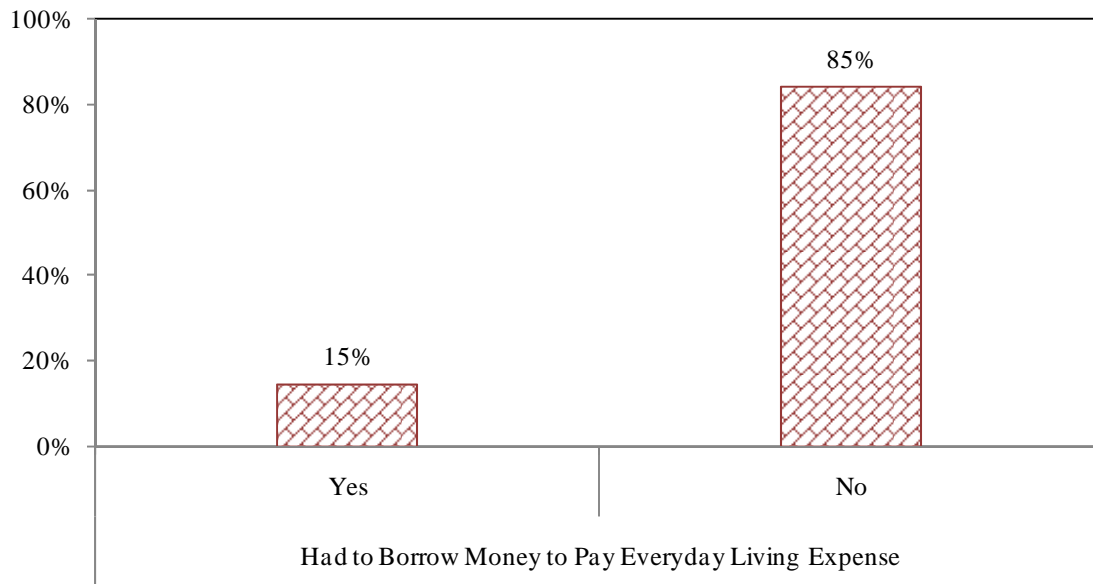
### Financially stressed family reduce spending on groceries and medications



### Taking Desperate Measures

Hundreds of thousands of Minnesotans have resorted to desperate measures in response to the financial and economic crises. Fifteen percent or 585,375 adults have had to borrow money to pay their everyday living expenses. Twenty-six percent of Minnesotans in families with poor or fair finances reported borrowing money for everyday expenses compared to just 6 percent among more prosperous families (data not shown).

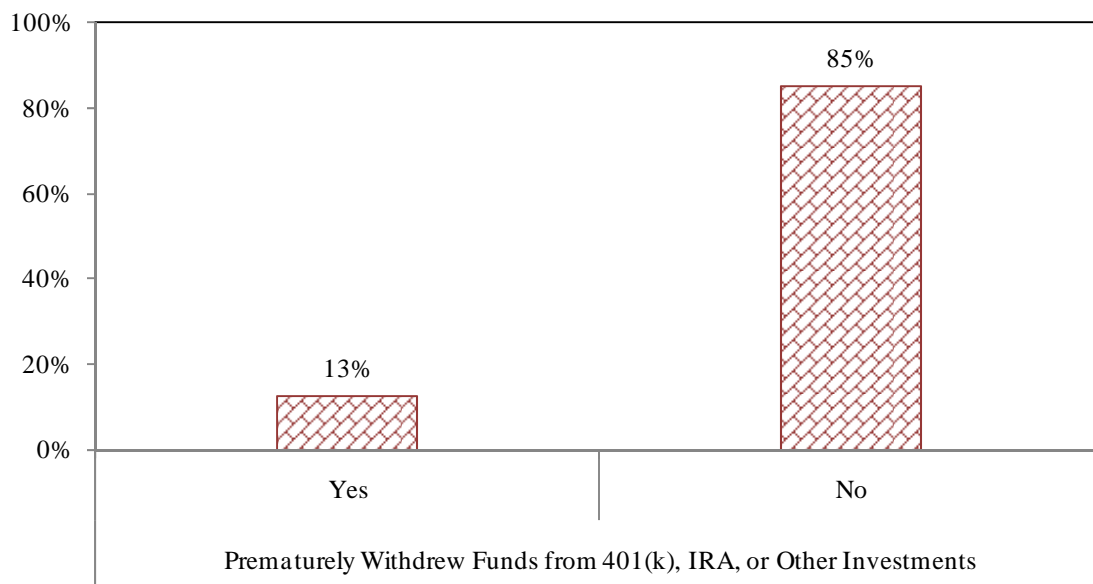
### Borrowing to pay everyday living expenses



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In another sign of desperate circumstances, 13 percent or 508,192 adults have prematurely withdrawn their retirement funds from 401 (K) investments, IRAs or other accounts. Because of the tax penalty for making withdrawals before retirement, these Minnesotans can be assumed to be acting out of necessity to cover their current expenses. Indeed, people in financially stressed families are more prone to make these withdrawals than those in more affluent families (17 percent versus 10 percent).

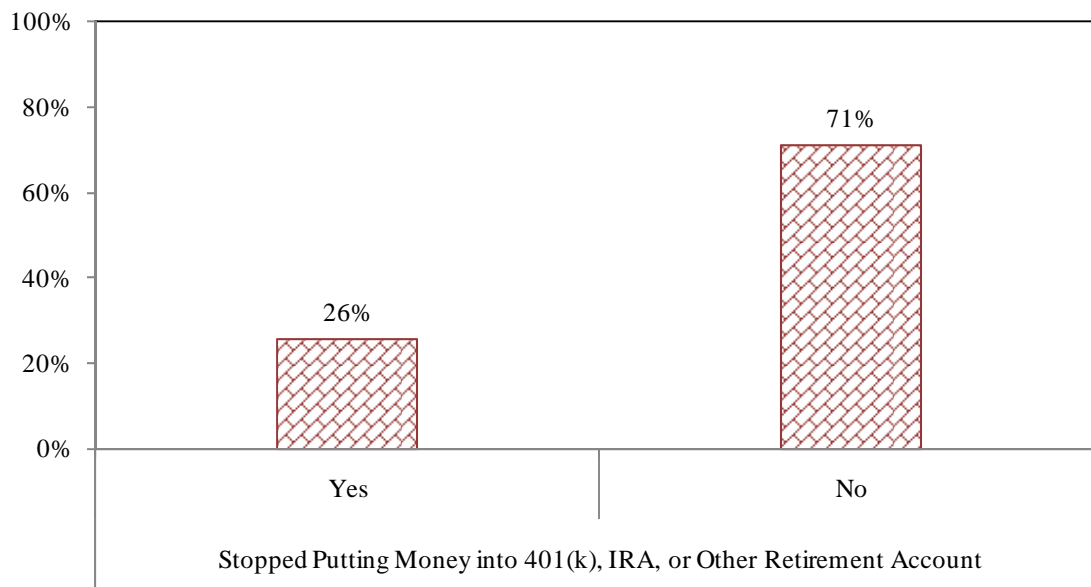
### Giving up on planning for retirement



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Even more Minnesotans are shortchanging their retirement planning by no longer making investments in their IRAs, 401 (K) accounts, and other funds. Twenty-six percent or 781,834 have stopped contributing in another sign that intense concerns about today have undermined longer-term financial planning. Minnesotans in financially stressed families are especially prone to act against their long-term interest (36 percent) compared to those in better off households (18 percent).

### **Putting the brakes on retirement contributions**

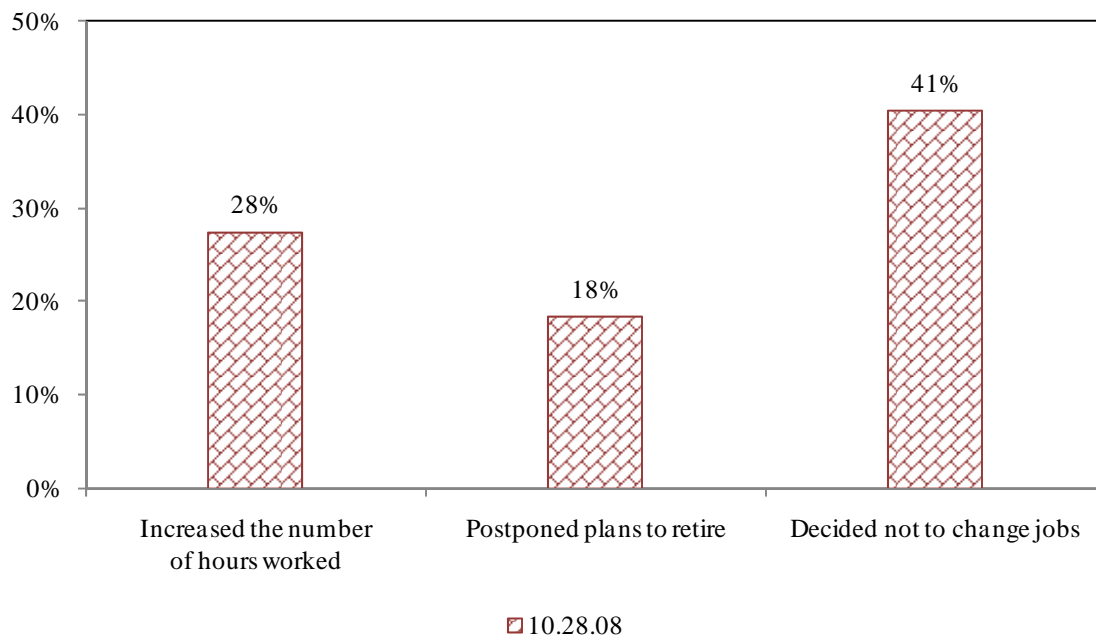


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### **Holding onto Job to Cope with Economic Downturn**

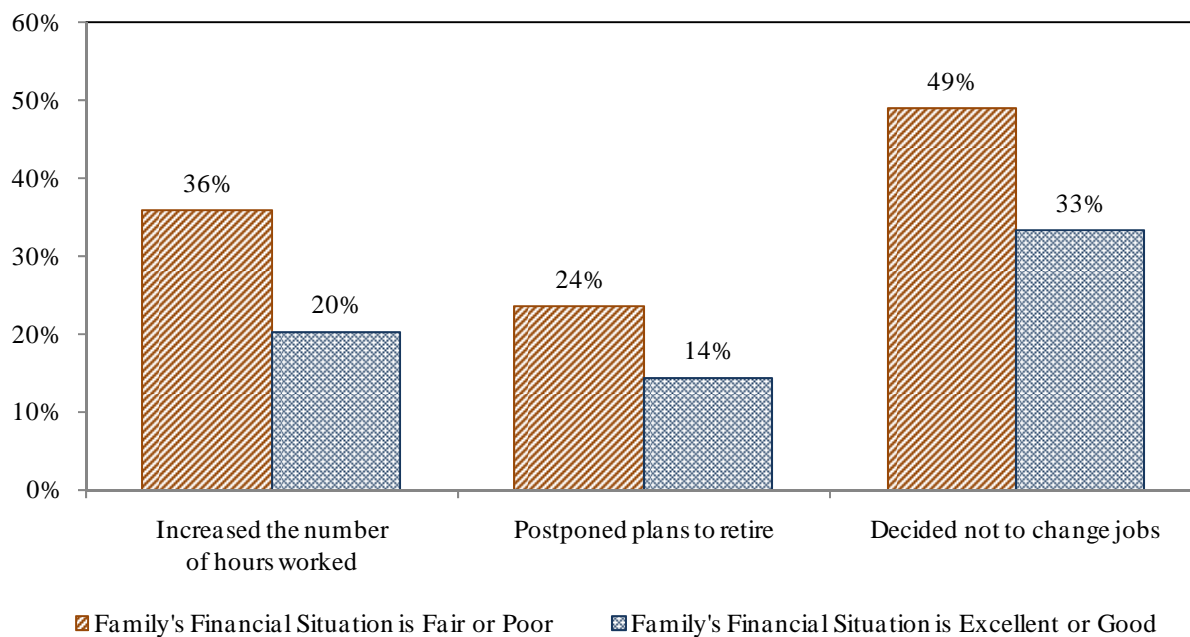
The economic downturn has prompted many Minnesotans to change their employment plans. Given the difficulties meeting the family budget in a tighter credit markets, 28 percent of Minnesotans with full or part-time jobs (750,630 adults) have increased the number of hours they work. Eighteen percent (or 482,548) have postponed their retirement plans and 41 percent (1.1 million) have decided to hang onto their current jobs.

### Changing attitudes to job



Financially squeezed families are more inclined to alter their employment plans. Thirty-six percent of Minnesotans in financially stressed families have increased their work hours compared to 20 percent of those in prosperous households. The financially strained are also more inclined to cancel plans to change jobs by a 16 point margin and to postpone plans to retire by a 10 point margin.

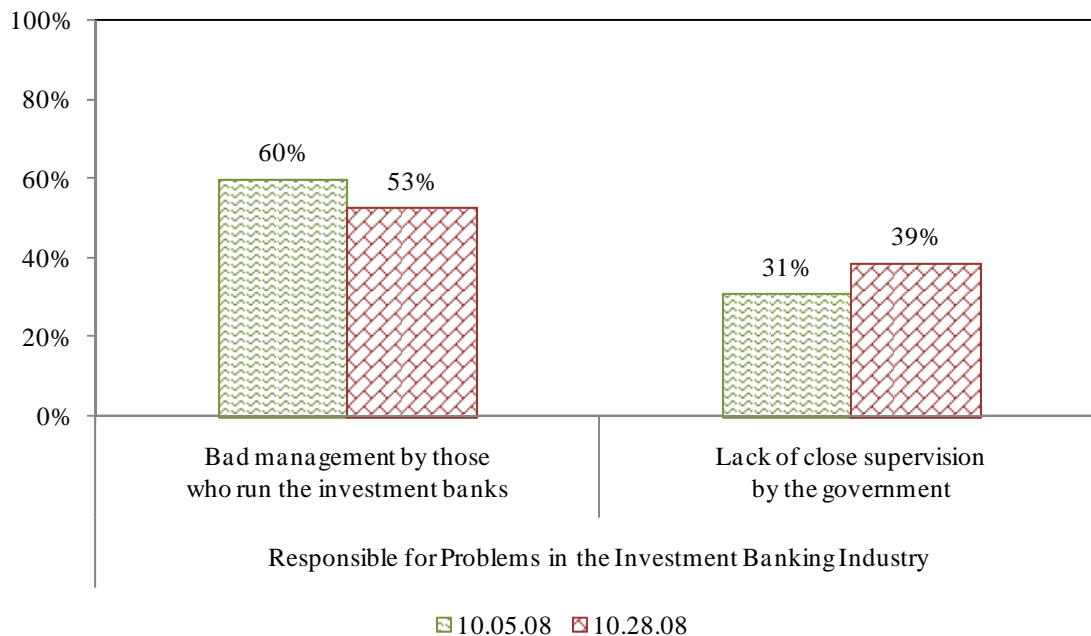
### Financially stressed families alter employment planning



## **Economic 9/11 Invites Opens Door to Big Government**

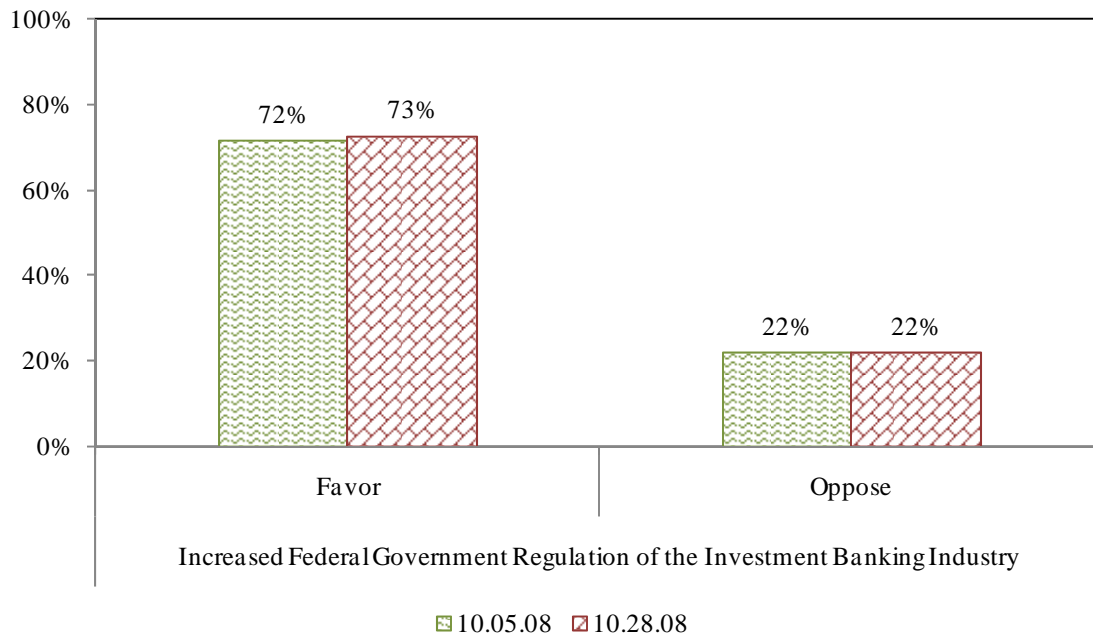
The economic 9/11 that has hit America has opened the door to expanding the role of government. A sizeable majority of 53 percent to 39 percent conclude that bad management by investment banks rather than the lack of close government supervision is responsible for the problems in the investment banking industry. This majority is smaller than found a month ago; although the election campaign may be responsible for reducing the majority blaming business management, it is striking that a majority remains.

### **Management more than government held responsible for financial problems**



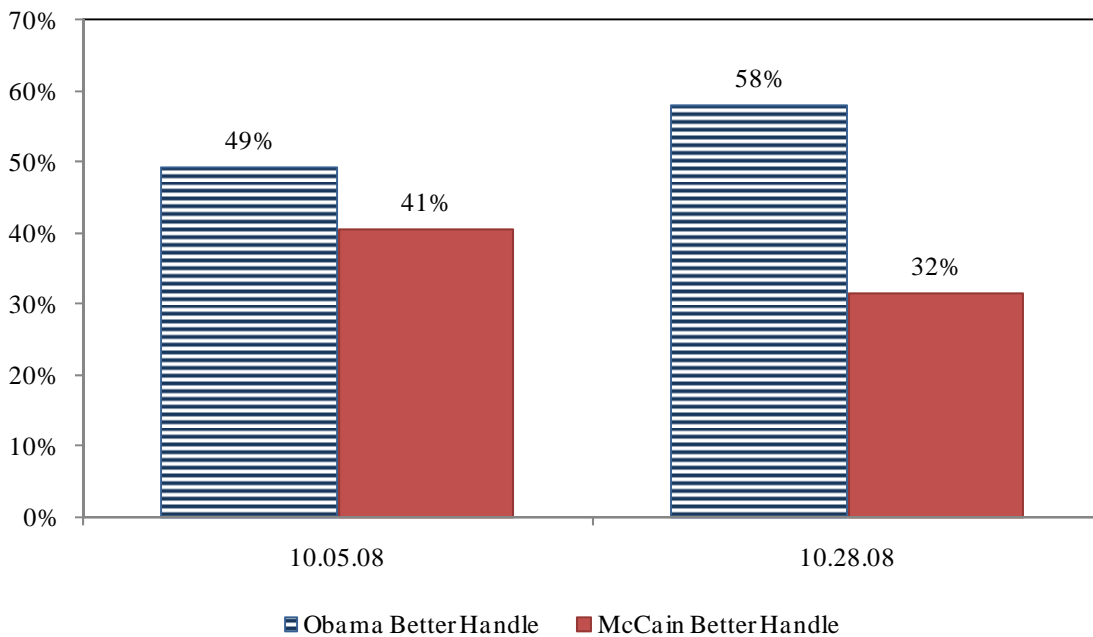
In addition to blaming business management for the implosion of the finance sector, a large and stable supermajority favors increased federal government regulation of the investment banking industry. Seventy-three percent now favor more regulation compared to a fifth that opposes it, a nearly identical finding from early October.

### A new regulatory paradigm



Candidate Barack Obama enters office with strong credibility on reforming the country's financial sector. A large majority of 58 percent believes that Obama is better able to handle the reform of the financial sector as compared to his Republican presidential rival, Senator John McCain.

### Obama enjoys public confidence in his ability to better handle financial reforms

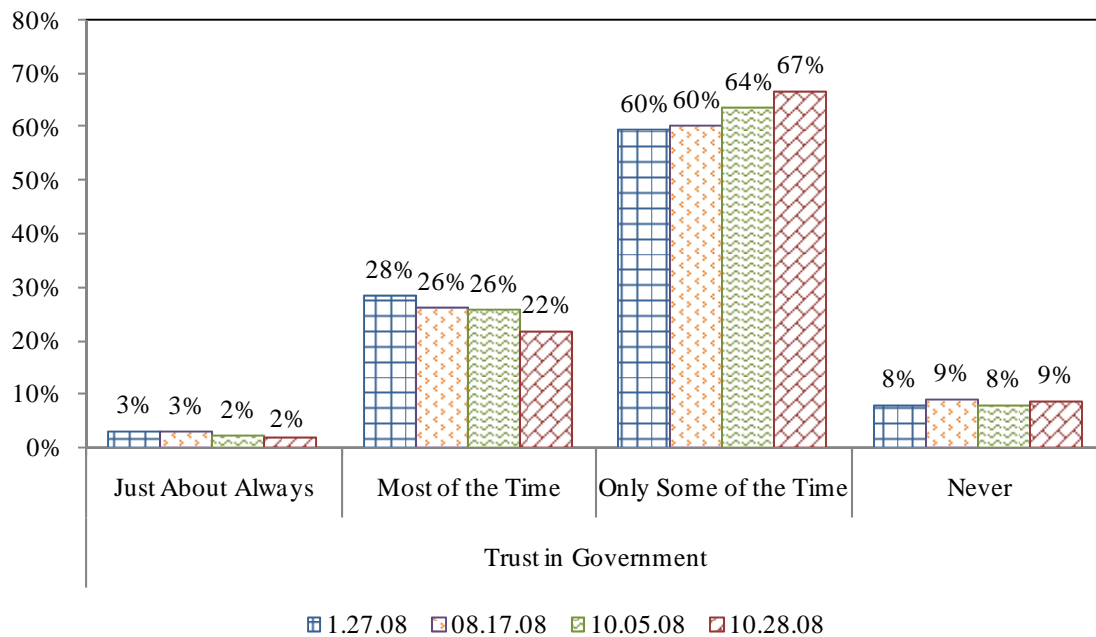




## **Big Hurdles to Come**

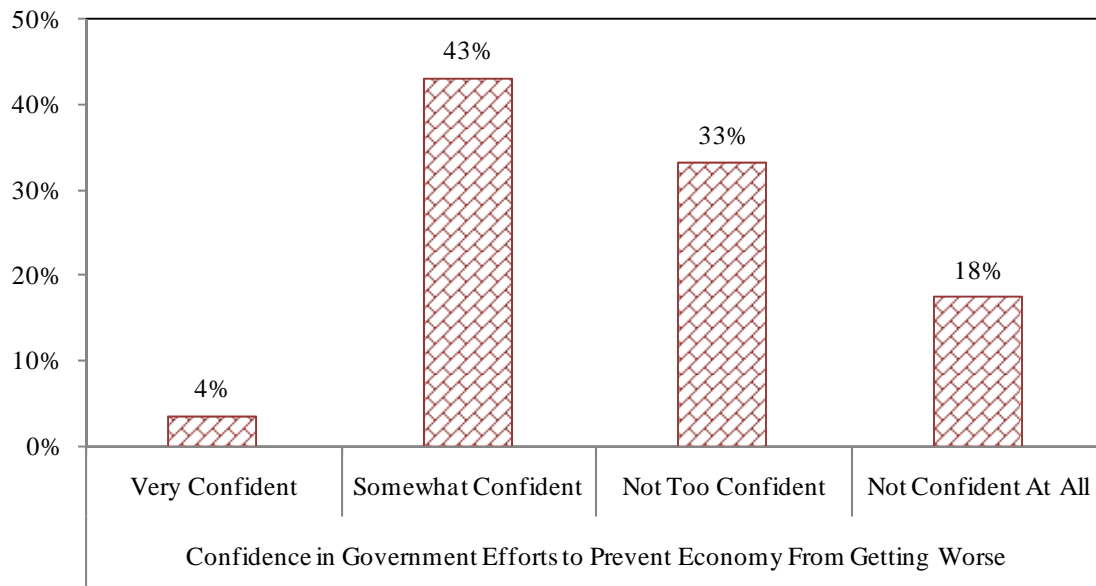
Although Obama comes into office with superior confidence in his ability to handle financial reforms and with significant public support for expanding government regulations, he faces several fundamental hurdles in keeping public support in the months ahead.

Large and growing majorities of Minnesotans distrust the government. Seventy-six percent only trust the government to do the right thing some of the time or never; this is an 8 point jump from the beginning of the year. Rallying Minnesotans to expand government regulation will be sailing into a strong headwind of suspicion and doubt.



The general distrust of government infects public confidence in the government's effectiveness in handling the country's ailing economy. A majority of 51 percent are not too confident or not confident at all in the government's efforts to prevent the economy from getting worse.

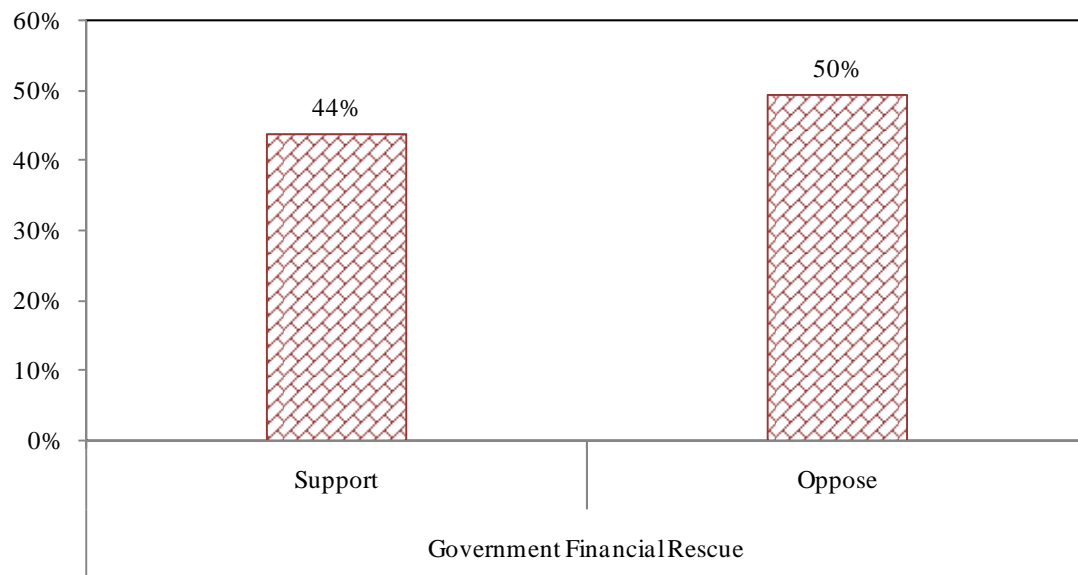
### Doubts about government effectiveness in handling economy



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The public's reaction to the government's rescue package of the financial sector in early October may preview the reception to future proposals to turn around the financial sector and economy. Fifty percent oppose the financial rescue legislation and 44 percent support it. Indeed, this majority opposing the legislation may understate future resistance to government steps to revive the financial sector and economy given the extraordinary unity of Democratic leaders and Republican leaders (including President George W. Bush) as well as both parties' presidential candidates.

## Opposition to government financial rescue



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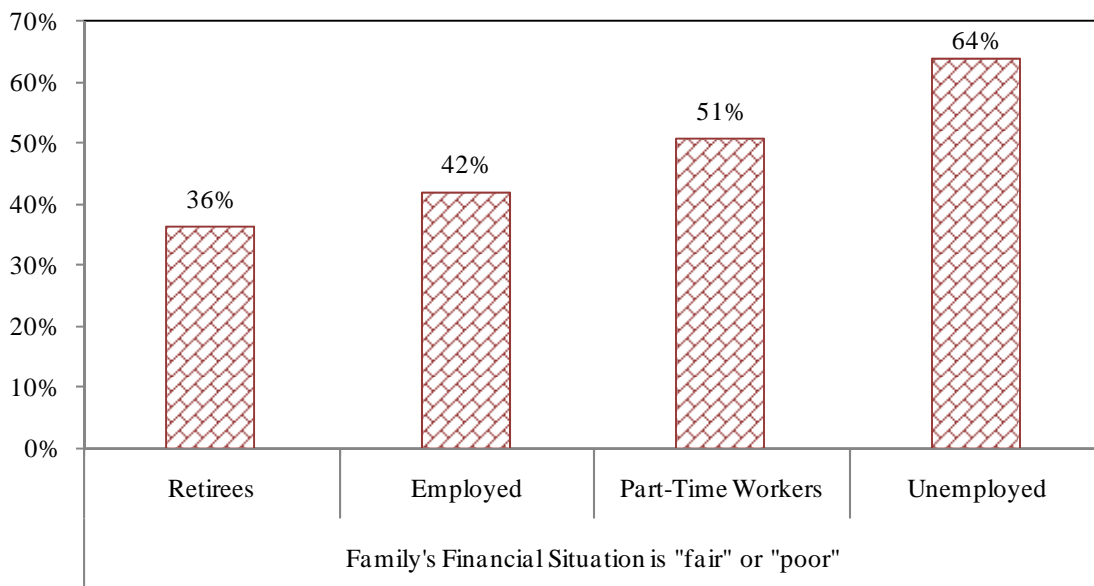
## Vulnerabilities and Protections of Retirees

The financial and economic turmoil has put retirees in a more vulnerable position compared to other groups in Minnesota but the protections for them also insulate them a bit more than others.

### 1. Protections that insulate retirees

Social Security pensions and/or income from private investments and employer retirement programs provide some protection for retirees compared to full and part time employees and the unemployed. In comparison to these other groups, retirees are less pessimistic about their household's financial situation: 36 percent report that it is fair or poor compared to 42 percent for the employed, 51 percent for part-term workers, and 64 percent for the unemployed.

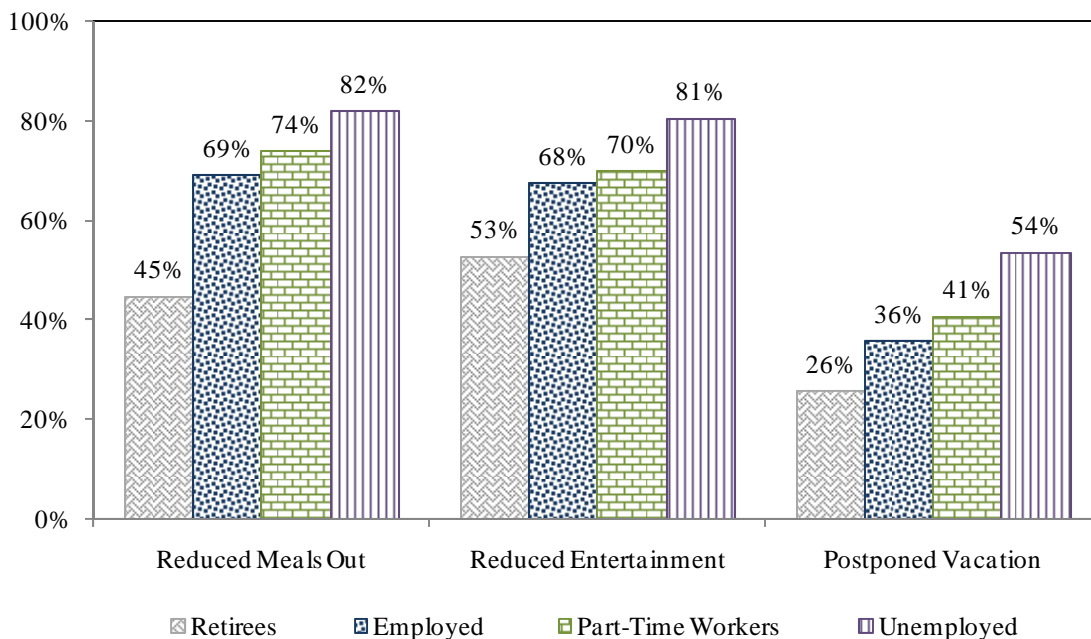
### Retirees less pessimistic about family's financial circumstances



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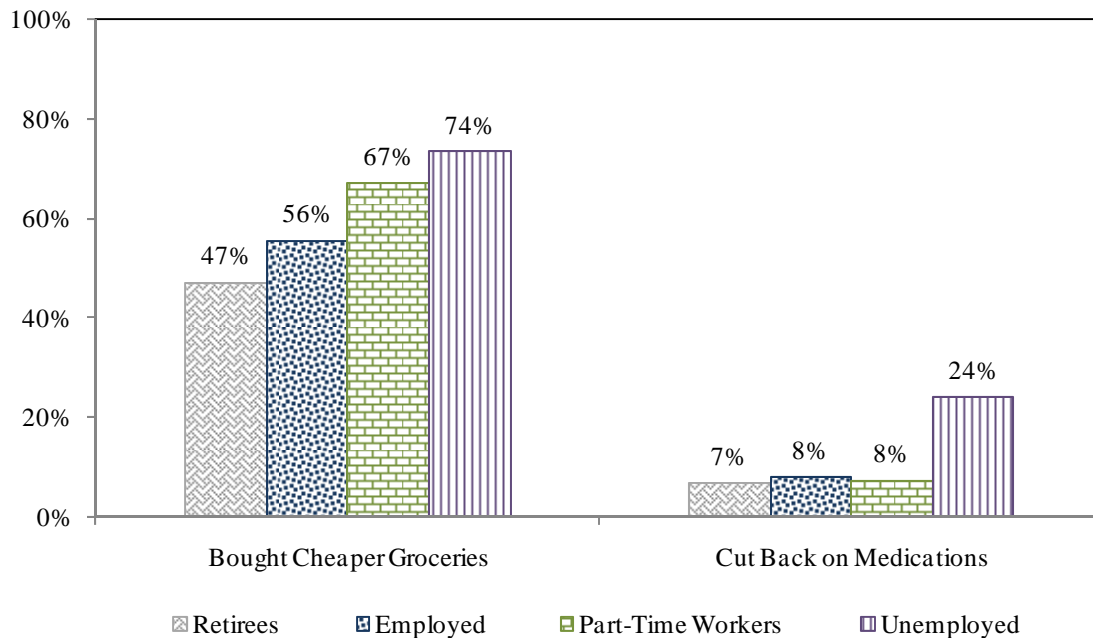
Fewer retirees are cutting back on discretionary and non-discretionary spending than other segments of Minnesota. While more than two thirds of the unemployed and workers have reduced the number of times they are eating out, 45 percent of retirees have taken the same step in response to the economic downturn. This gap between retirees and those who are employed or without work is also evident in entertainment spending (28 point gap) and vacationing (28 point gap).

### Consumer retrenchment less severe among retirees



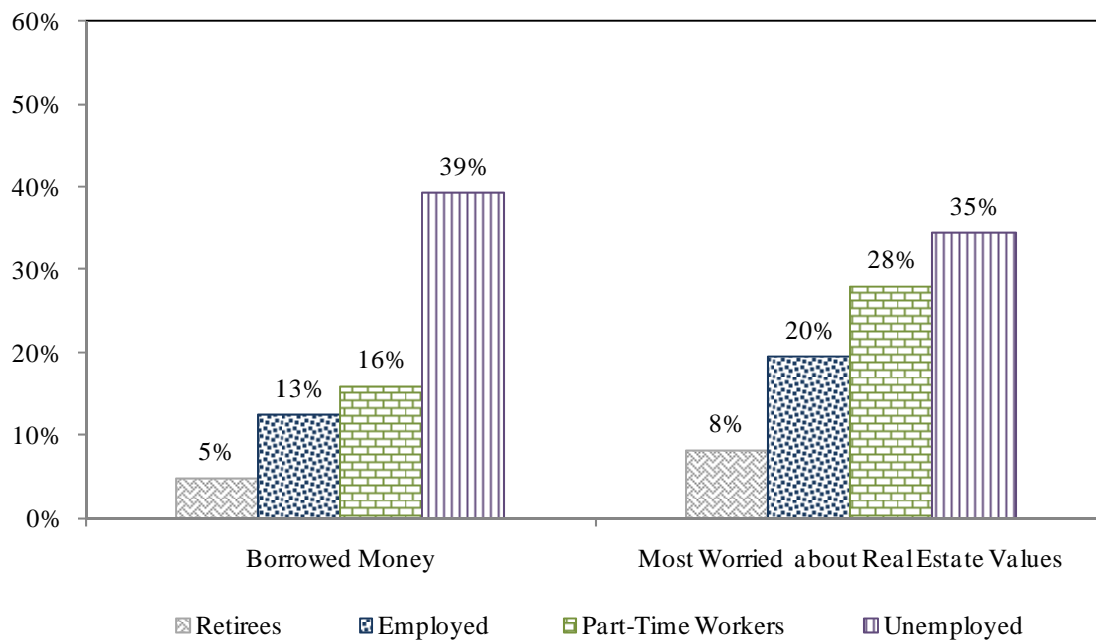
Retirees are less inclined to reduce non-discretionary spending in response to the economic downturn. Noticeably fewer retirees have bought less expensive groceries. The relative insularity of retirees is most striking in the case of medications, which retirees are more dependent upon than other groups. Retirees are no more prone than the full or part-time employed to cut back on medications even though they make larger expenditures on them. Far more unemployed have reduced their medications.

### Fewer retirees scrimping on food and reducing medications



Retirees are less desperate financially. While 5 percent of retirees report having to borrow money to pay everyday living expenses, three times more full and part-time workers borrowed to cover immediate needs and still more unemployed did. When Minnesotans rank the economic issues that most worry them, far fewer retirees single out real estate values than full-time employees (8 percent versus 20 percent).

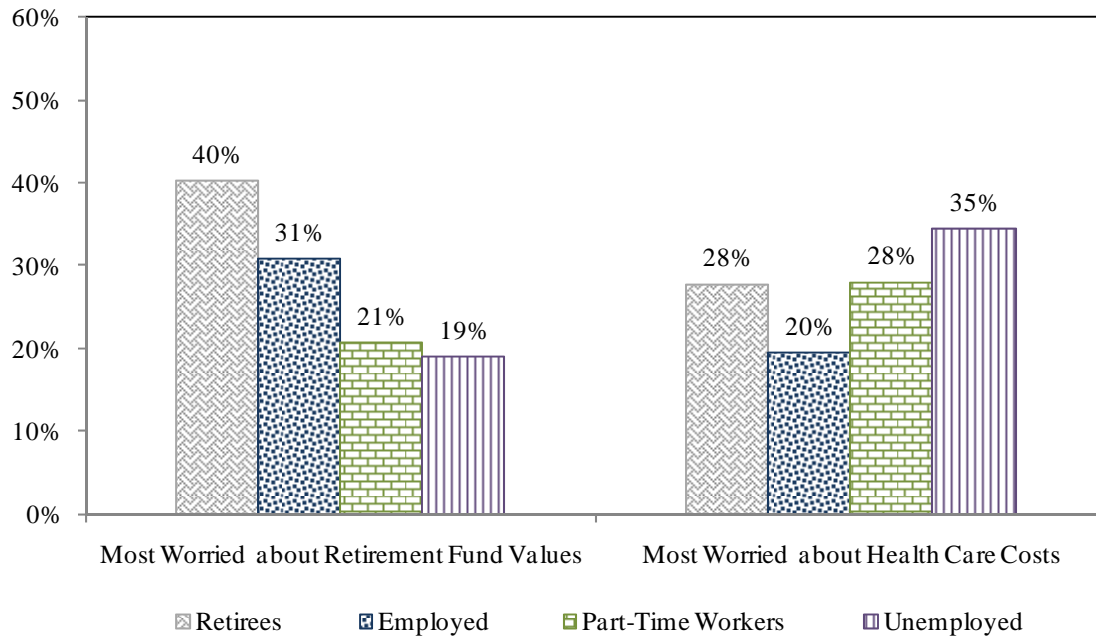
## Fewer retirees borrow money for everyday expenses or worry about real estate values



### 2.The Financial Vulnerabilities of Retirees

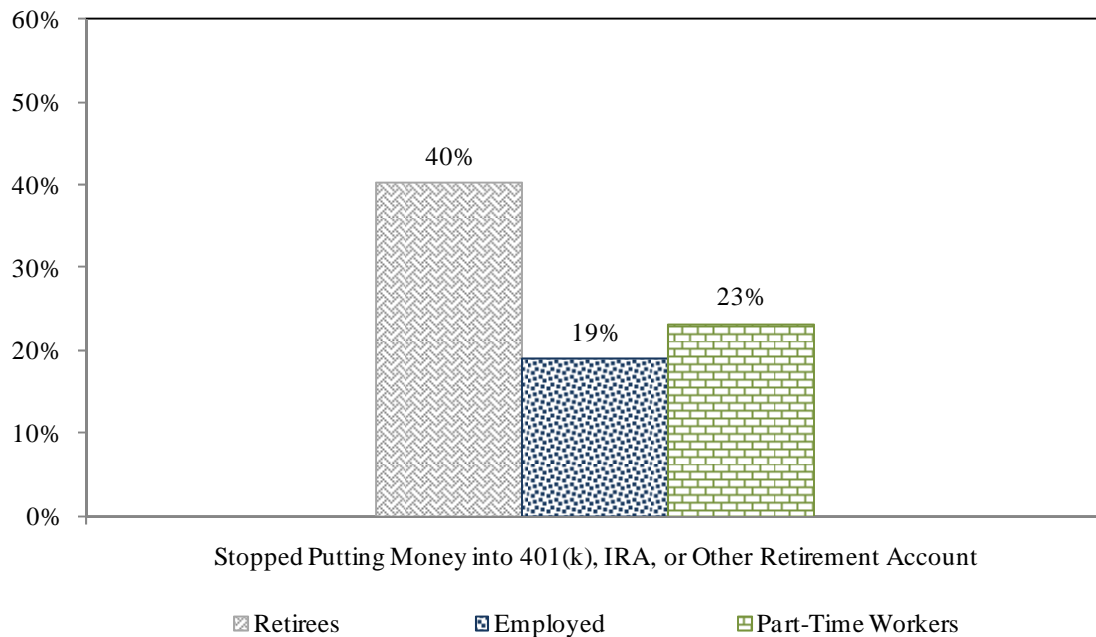
Retirees are more dependent on fixed incomes that are often tied up with the stock market and other kinds of investments; this makes them more vulnerable to fluctuations in financial markets. More retirees single out the value of their retirement assets as their top economic worry: 40 percent of retirees rank their retirement funds as their biggest worry as compared to 31 percent for full time employees, 21 percent for part-time workers, and 19 percent for the unemployed. Health care costs are the second biggest concern of retirees (28 percent); fewer full time employees share this concern (20 percent).

### More retirees worry about retirement funds and health care costs



Retirees are also more sensitive to the immediate impact of the stock market's decline. Twice as many retirees report that they have stopped putting money into retirement accounts (40 percent) than full-time employees (19 percent).

### More retirees stopped putting money into retirement funds



## About the Survey

This survey is collaboration between Minnesota Public Radio and the Center for the Study of Politics and Governance at the University of Minnesota's Humphrey Institute of Public Affairs. The survey was analyzed by the Center. The research team was Lawrence R. Jacobs (director), Joanne M. Miller (Department of Political Science), and Melanie Burns.

The survey was fielded by the Center for Survey Research and Analysis (CSRA) at the University of Connecticut, which has extensive national and state experience conducting non-partisan surveys on politics and government policy. CSRA called a sample of telephone exchanges that was randomly selected by a computer from a list of active residential exchanges within the State of Minnesota. Within each exchange, random digits were added to form a complete telephone number, thus permitting access to both listed and unlisted numbers. The samples were designed to represent different regions of the state in proportion to the number of adults living in each region. Within each household, one adult was selected to be the respondent for the survey.

Results are based on a model which adjusts responses according to the likelihood of a respondent voting. Likelihood to vote is based on the following factors: self-reported probability of voting in the upcoming election, voting in previous elections as reported by the respondent, enthusiasm for the 2008 election, and incorporates differential turnout levels in urban, suburban, and rural areas. In addition, the results have been weighted to reflect the number of adults in a household and the number of telephone lines reaching the household as well as the demographic characteristics of adults in Minnesota based on region, sex, age, education, and race.

In addition to sampling error, the practical difficulties of conducting any survey of public opinion may introduce sources of error into the poll. Variations in the wording and order of questions, for example, may lead to somewhat different results.